

CEDAR RAPIDS / LINN COUNTY SOLID WASTE AGENCY

A Component Unit
of the
City of Cedar Rapids, Iowa

BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2005
and
INDEPENDENT AUDITOR'S REPORT

CEDAR RAPIDS / LINN COUNTY SOLID WASTE AGENCY

A Component Unit of the
City of Cedar Rapids, Iowa

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**CEDAR RAPIDS / LINN COUNTY
SOLID WASTE AGENCY**

Board of Directors

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Executive Director

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Cedar Rapids/Linn County Solid Waste Agency
City of Cedar Rapids, Iowa

We have audited the accompanying basic financial statements of the Cedar Rapids/Linn County Solid Waste Agency (Agency), a component unit of the City of Cedar Rapids, Iowa, as of and for the year ended June 30, 2005. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cedar Rapids/Linn County Solid Waste Agency, a component unit of the City of Cedar Rapids, Iowa as of June 30, 2005, and the changes in financial position and cash flows, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2005 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 6 and budgetary comparison information on pages 14 and 15 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

McGladrey & Pullen, LLP

Davenport, Iowa
October 28, 2005

Management's Discussion and Analysis

As management of Cedar Rapids / Linn County Solid Waste Agency (Agency), we offer readers of the Cedar Rapids / Linn County financial statements this narrative overview and analysis of the financial statements of the Cedar Rapids / Linn County Solid Waste Agency for the fiscal year ended June 30, 2005.

Financial Highlights

- The assets of the Agency exceeded its liabilities (net assets) as of June 30, 2005 and 2004 by \$20,812,513 and \$21,095,961 respectively.
- The Agency's total assets increased by \$383,007 or a 1.1% growth over the prior year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements are comprised of two components: 1) basic financial statements and 2) notes to the financial statements.

Basic financial statements – The basic financial statements are designed to provide readers with a broad overview of the Agency's finances in a manner similar to a private-sector business. The basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. The Agency is operated under one enterprise fund. Under this method of accounting an economic resources measurement focus and an accrual basis of accounting is used. Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets, and a statement of cash flows. These are followed by notes to the financial statements.

The statement of net assets presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicator of whether the financial position of the Agency is improving or deteriorating.

The statement of revenues, expenses, and changes in fund net assets reports the operating revenues and expenses and nonoperating revenues and expenses of the Agency for the fiscal year with the difference being the change in fund net assets for the fiscal year.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on Pages 10-16 of this report.

The basic financial statements include only the Cedar Rapids / Linn County Solid Waste Agency, a component unit of the City of Cedar Rapids, Iowa. There are no other organizations or agencies whose financial statements should be combined and presented with the financial statements of the Agency.

Statement of Net Assets

Condensed versions of the Statements of Net Assets as of June 30, 2005 and 2004 follow:

Table 1
Net Assets

	FY 2005	FY 2004
Cash and investments	\$ 24,531,065	\$ 23,654,232
Other assets	1,587,481	1,855,504
Capital assets	8,156,981	8,382,784
Total assets	<u>34,275,527</u>	<u>33,892,520</u>

Table 1
Net Assets (Continued)

	FY 2005	FY 2004
Other liabilities	770,538	773,964
Noncurrent liabilities	12,692,476	12,022,595
Total liabilities	13,463,014	12,796,559
Net Assets:		
Invested in capital assets, net of related debt	8,156,981	8,382,784
Restricted	12,634,254	13,277,154
Unrestricted (deficit)	21,278	(563,977)
Total net assets	\$ 20,812,513	\$ 21,095,961

Total assets increased 1.1% for fiscal year 2005. This was primarily due to increase in the cash and investment balances that were generated from operations in fiscal 2005.

Total assets increased 4.5% for fiscal year 2004. This was primarily due to increase in the cash and investment balances that were generated from operations in fiscal 2004.

Statement of Revenues, Expenses, and Changes in Fund Net Assets

A summary version of the Statement of Revenues, Expenses, and Changes in Fund Net Assets for the years ending 2005 and 2004 follow:

Table 2
Statement of Revenues, Expenses, and Changes in Fund Net Assets

	FY 2005	FY 2004
Revenues:		
Charges for services	\$ 4,859,172	\$ 6,799,186
Use of money and property	51,974	68,110
Rents and royalties	9,442	8,929
Miscellaneous	1,774,069	1,522,568
Other nonoperating revenue		
Investment income	465,900	210,410
Intergovernmental	53,513	75,423
Gain on sale of assets	-	26,871
Total revenues	7,214,070	8,711,497
Expenses:		
Personal services	2,033,758	2,169,132
Purchased services	1,926,714	2,364,614
Supplies and materials	1,351,730	1,010,168
Other	760,737	2,730,558
Depreciation	1,318,938	1,266,897
Other nonoperating expense		
Loss on sale of assets	105,641	-
Total expenses	7,497,518	9,541,369

Table 2
Statement of Revenues, Expenses, and Changes in Fund Net Assets (Continued)

	FY 2005	FY 2004
Change in net assets	(283,448)	(829,872)
Total net assets, beginning	21,095,961	21,925,833
Total net assets, ending	<u>\$ 20,812,513</u>	<u>\$ 21,095,961</u>

As expected, charges for services are the primary revenue source for the Agency. This is 67.4% of the total revenues. Investment income accounts for an additional 6.5% of the total revenues. There was a decrease in charges for services from the prior year caused by fewer customers using the landfill in fiscal year 2005.

Budgetary Highlights

The Agency had one budget amendment during the fiscal year as is common practice. This amendment increased the budget by \$671,514. This 8.7% increase of the entire budget was primarily due to closure / post-closure expense along with land acquisition.

Capital Assets

As of June 30, 2005, the Agency had invested \$8,156,981 in capital assets as are reflected in the following table. This investment includes land, buildings and structures, improvements other than buildings, machinery and equipment, and construction in progress.

Table 3
Capital Assets at Fiscal Year-End
(Net of Depreciation)

	FY 2005	FY 2004
Land	\$ 3,666,290	\$ 2,812,801
Buildings and structures	685,239	740,890
Improvements other than buildings	1,803,840	2,280,006
Machinery and equipment	2,001,612	2,540,227
Construction in progress	-	8,860
	<u>\$ 8,156,981</u>	<u>\$ 8,382,784</u>

The following table reconciles the change in capital assets. The amount of decrease in capital assets net of depreciation and retirements is \$225,803, which is a 2.7% decrease during the year. A majority of the decrease was due to depreciation.

Table 4
Change in Capital Assets

	FY 2005
Beginning balance	\$ 8,382,784
Additions	1,234,037
Net retirements	(140,902)
Depreciation	(1,318,938)
Ending balance	<u>\$ 8,156,981</u>

Additional information on the Agency's capital assets can be found in Note 6 on page 14 of this report.

Long-Term Obligation

The Agency is liable for all closure and postclosure care costs at the two landfill sites except for the liabilities retained by the City of Cedar Rapids, Iowa. The Agency's liability as of June 30, 2005 was \$12,579,633. This amount is based on the estimated cost to perform all closure and post-closure care costs as of June 30, 2005. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Economic Factors

The Cedar Rapids MSA mean household income in 2005 was \$68,495 as compared to \$68,200 in 2003. These amounts are presented in 1996 constant dollar.

The average hourly rate in manufacturing was \$19.40 in 2004 as compared to \$17.70 in 2003. The average hourly workweek also increased from 43.3 hours in 2002 to 42.9 in 2001.

Retail sales in the metro reached an all time high of \$2.83 billion for calendar year 2004 compared to \$2.75 billion in calendar year 2003. Of this total, \$2.39 billion was generated in Cedar Rapids.

The total value of building permits in FY 2005 was approximately \$173.2 million. This compares with an amount of \$148.0 for FY 2004. This amount represents an increase of 17 percent from the previous fiscal year.

Most of the rates and programs will remain the same for fiscal year 2006.

Financial Information Contact

The Agency's financial statements are designed to present users (citizens, customers, investors, and creditors) with a general overview of the Agency's finances and to demonstrate the Agency's accountability. If you have questions about the report or need additional financial information, please contact The Cedar Rapids / Linn County Solid Waste Agency at 6301 Kirkwood Blvd. SW, Cedar Rapids, Iowa 52404.

Cedar Rapids / Linn County Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
Statement of Net Assets
June 30, 2005

ASSETS

Current assets:

Cash and investments	\$ 24,531,065
Receivables:	
Accounts and unbilled usage, net	
\$50,670 of allowance for doubtful accounts	668,135
Notes	733,461
Due from other governments	151,232
Inventories	33,533
Prepaid items	1,120
Total current assets	<u>26,118,546</u>

Noncurrent assets:

Land	3,666,290
Buildings and structures	1,225,699
Improvements other than buildings	4,292,316
Machinery and equipment	6,749,460
Accumulated depreciation	<u>(7,776,784)</u>
Total noncurrent assets	<u>8,156,981</u>
Total assets	<u>34,275,527</u>

LIABILITIES

Current liabilities:

Vouchers payable	359,244
Accrued expenses	170,506
Revenues collected in advance	26,521
Due to other governments	184,767
Security deposits	29,500
Total current liabilities	<u>770,538</u>

Noncurrent liabilities:

Due within one year	
Compensated absences	112,843
Due in more than one year	
Closure/post closure landfill	<u>12,579,633</u>
Total noncurrent liabilities	<u>12,692,476</u>
Total liabilities	<u>13,463,014</u>

NET ASSETS

Invested in capital assets, net of related debt	8,156,981
Restricted for:	
Closure/post closure landfill	12,318,119
Compost site closure	316,135
Unrestricted (deficit)	21,278
	<u>\$ 20,812,513</u>

The notes to the financial statements are an integral part of this statement.

Cedar Rapids / Linn County Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended June 30, 2005

Operating revenues:	
Charges for services	\$ 4,859,172
Use of money and property	51,974
Rents and royalties	9,442
Miscellaneous	1,774,069
Total operating revenues	<u>6,694,657</u>
Operating expenses:	
Personal services	2,033,758
Purchased services	1,926,714
Supplies and materials	1,351,730
Other	760,737
Depreciation	1,318,938
Total operating expenses	<u>7,391,877</u>
Operating income (loss)	<u>(697,220)</u>
Nonoperating revenues (expenses):	
Intergovernmental	53,513
Investment income	465,900
(Loss) on sale of assets	(105,641)
Total nonoperating revenue (expenses)	<u>413,772</u>
Change in net assets	(283,448)
Total net assets, beginning	<u>21,095,961</u>
Total net assets, ending	<u>\$ 20,812,513</u>

The notes to the financial statements are an integral part of this statement.

Cedar Rapids / Linn County Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
Statement of Cash Flows
For the Year Ended June 30, 2005

Cash flows from operating activities:	
Cash received from users	\$ 6,702,750
Cash paid to employees	(2,049,509)
Cash paid to suppliers	(3,182,057)
Net cash flows from operating activities	<u>1,471,184</u>
Cash flows from non-capital financing activities:	
Intergovernmental	<u>53,513</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(1,234,037)
Proceeds from disposition of property and equipment	35,261
Issuance costs and deferred charges	<u>85,012</u>
Net cash flows from capital and related financing activities	<u>(1,113,764)</u>
Cash flows from investing activities:	
Interest on investments	<u>465,900</u>
Net decrease in cash and cash equivalents	876,833
Cash and cash equivalents, July 1, 2004	<u>23,654,232</u>
Cash and cash equivalents, June 30, 2005	<u>\$ 24,531,065</u>
Reconciliation of operating income (loss) to net cash flows from operating activities	
Operating income (loss)	\$ (697,220)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:	
Depreciation expense	1,318,938
Change in assets and liabilities:	
Decrease in prepaid items	67,517
Increase in vouchers payable	31,921
(Decrease) in compensated absences	(17,241)
Increase in accrued expenses	1,490
(Increase) in accounts receivable	(94,105)
Decrease in notes receivable	45,130
Decrease in inventories	70,564
Decrease in due from other governments	93,905
(Decrease) in due to other governments	(45,331)
Increase in security deposits	1,000
Increase in revenues collected in advance	7,494
Increase in closure/postclosure payable	<u>687,122</u>
Net cash flows from operating activities	<u>\$ 1,471,184</u>

The notes to the financial statements are an integral part of this statement.

Cedar Rapids / Linn County Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
NOTES TO FINANCIAL STATEMENTS

Note 1: Nature of Business and Reporting Entity and Significant Accounting Policies

Nature of Business and Reporting Entity—Effective July 1, 1994, the City of Cedar Rapids, Iowa (the “City”) and Linn County, Iowa (the “County”) entered into an agreement under Chapter 28E of the Code of Iowa creating the Cedar Rapids/Linn County Solid Waste Agency (the “Agency”). The Agency accounts for the disposal of solid waste into the combined City/County landfills in an integrated manner for the benefit of the public in Linn County. The Agency is a component unit of the City of Cedar Rapids, Iowa. The City of Cedar Rapids, Iowa has the authority to appoint the majority of the Agency’s Board of Directors and is able to impose its will on the Agency’s operations. The Agency is an integral part of the City of Cedar Rapids, Iowa’s reporting entity. Accounting principles generally accepted in the United States of America require that the financial reporting entity include 1) the primary government, 2) organizations for which the primary government is financially accountable and 3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based on these criteria, there are no other organizations or agencies whose financial statements should be combined and presented with these basic financial statements.

In connection with the creation of the Agency, the City of Cedar Rapids, Iowa and Linn County, Iowa transferred their landfill sites and certain other assets to the Agency. The Agency assumed closure and postclosure liabilities related to such landfill sites in an amount equal to the estimated fair value of the assets transferred. The Agency has recorded the assets received from the County at their estimated fair value at the date of transfer. Since the City, through its authority to appoint the majority of the Agency’s Board of Directors, exercises control over the Agency, the assets received from the City were recorded at their carrying value at the date of transfer.

Summary of Significant Accounting Policies

The Agency applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board Statements and Interpretations, Accounting Principle Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, (the GASB jurisdiction determination date) which do not conflict with or contradict GASB pronouncements.

Basis of Accounting—The Agency uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Under this basis of accounting, all assets and liabilities associated with the operation of the Agency are included in the Statement of Net Assets.

Accounting Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition—Revenue is recognized upon the receipt and acceptance of nonhazardous industrial and municipal waste at the Agency’s solid waste landfills.

Cash and Investments—For purposes of the reporting of cash flows, the Agency considers its cash and investments to be cash equivalents as these amounts have the same characteristics of demand deposits.

Investments—Investments are stated at fair value. Short-term investments are reported at cost which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Inventories—Inventories are carried at lower of cost (first-in/first-out) or market.

Cedar Rapids / Linn County Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
NOTES TO FINANCIAL STATEMENTS

Vacation and Sick Leave—Agency employees earn vacation and sick leave in varying amounts monthly. Total vested paid leave will be paid upon termination of employment. Vacation and sick leave accrued as of June 30, 2005 was \$112,843 and is due within one year.

Capital Assets—Capital assets are stated at cost. Assets contributed by Linn County are valued at their estimated fair value on the date contributed. Capital assets that will be used exclusively for the landfill are being depreciated at estimated useful life of the landfill. Depreciation of other capital assets to be used after the landfill closes are recorded on the straight line basis using the following useful lives:

Vehicles	5 to 7 years
Buildings	20 years
Other equipment	5 to 15 years

Operating and Nonoperating Revenues and Expenses—Operating revenues result from exchange transactions of the Agency's activities. Nonoperating revenues result from nonexchange transactions such as grants and investment earnings. Expenses associated with operating the waste facilities are considered operating.

Net Assets—Net Assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by any outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Agency or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Agency first applies restricted resources.

Note 2: Cash and Investments

Deposits. Chapter 12C of the Code of Iowa requires all Agency funds be deposited into an approved depository and be either insured or collateralized. As of June 30, 2005 the Agency's deposits are not subject to custodial credit risk.

The Agency also maintains petty cash accounts in various funds. The total amount of petty cash is \$22,820.

Investments. Chapter 12B.10 of the Code of Iowa allows the Agency to invest in U.S. Treasury Bills, Notes, and Bonds; state and local government securities; collateralized prime, bankers acceptances; real estate and real estate mortgages; and collateralized commercial paper rated in the two highest prime classifications by at least one of the standard rating services approved by the Superintendent of Banking; perfected repurchase agreements; or in time deposits as provided by Chapter 12B.10. Common, preferred, or guaranteed stocks are an exception for public funds investment.

As of June 30, 2005, the Agency had following investments with the following maturities:

Investment Type	Fair Value	Less than 1 year	1-5 Years	6-10 Years	More Than 10 Years
US Agencies	<u>\$ 7,425,926</u>	<u>\$ 7,425,926</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Cedar Rapids / Linn County Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
NOTES TO FINANCIAL STATEMENTS

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the Agency's investment policy states that aggregate price losses on instruments with maturities approaching one year shall not be greater than coupon interest and investment income received from the balance of the portfolio.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

As of June 30, 2005, the Agency had the following ratings:

	<u>Moody's</u>	<u>Standard & Poors</u>
Investment Type:		
U.S. Agencies	AAA	AAA

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2005 the Agency's investments are not subject to custodial credit risk.

Concentration of Credit Risk: The Agency's investment policy seeks diversification to reduce overall portfolio risk. The Agency's investment policy limits holding of securities by single issuer to no more than 5% of the investment portfolio. The Agency currently has 100% of investments in U.S. Agencies.

Note 3: Closure and Postclosure Care Costs

State and federal laws and regulations require the Agency to place a final cover on the landfill sites when the Agency stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, the liabilities of closure and postclosure care costs are to be expensed in each period the landfill accepts waste based upon landfill capacity used as of each statement date.

The City's and Linn County's liability for closure and postclosure care costs as of July 1, 1994 were fixed as part of the aforementioned Chapter 28E agreement based on estimated care costs and the percentage of landfill capacity utilized for each of the two respective landfill sites.

The Agency is liable for all closure and postclosure care costs at the two landfill sites except for the liability retained by the City of Cedar Rapids, Iowa. The Agency's liability as of June 30, 2005, is summarized below. These amounts are based on the estimated cost to perform all closure and postclosure care costs as of June 30, 2005. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Cedar Rapids / Linn County Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
NOTES TO FINANCIAL STATEMENTS

	Former City Landfill	Former County Landfill	Total
Total care costs	\$ 12,122,849	\$ 6,227,192	\$ 18,350,041
Care costs remaining to be recognized attributable to unutilized capacity	(402,479)	(2,189,833)	(2,592,312)
Liability retained by City	<u>(3,178,096)</u>	<u>-</u>	<u>(3,178,096)</u>
Care costs recognized attributable to utilized capacity	<u>\$ 8,542,274</u>	<u>\$ 4,037,359</u>	<u>\$ 12,579,633</u>
Capacity utilized	<u>96.68%</u>	<u>80.30%</u>	
Estimated remaining life	<u>1.0 years</u>	<u>2.5 years</u>	

The Agency has identified funds that have been restricted for landfill closure and post-closure activities as of June 30, 2005. Restricted funds for landfill closure and post-closure are updated annually and comply with the statutory requirements enacted by the State of Iowa, (Administrative Code 567-Chapter 111). Financial Assurance Requirements for Municipal Solid Waste Landfills as of June 30, 2005, balances were as follows:

Restricted for:

Closure/post closure landfill	\$ 12,318,119
Compost site closure	316,135
	<u>\$ 12,634,254</u>

Note 4: Long-Term Liabilities

Changes in long-term liabilities:

Long term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Compensated absences	\$ 130,084	\$ 156,479	\$ 173,720	\$ 112,843	\$ 112,843
Closure/post closure landfill	11,892,511	687,122	-	12,579,633	-
Long-term liabilities	<u>\$ 12,022,595</u>	<u>\$ 843,601</u>	<u>\$ 173,720</u>	<u>\$ 12,692,476</u>	<u>\$ 112,843</u>

Note 5: Operating Leases

The Agency leases certain buildings and equipment under operating leases expiring at various dates through the year 2009. Minimum lease payments under noncancellable operating leases with an initial term of one year or more as of June 30, 2005, are summarized as follows:

Cedar Rapids / Linn County Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
NOTES TO FINANCIAL STATEMENTS

<u>Fiscal Year</u>	<u>Amount</u>
2006	\$84,380
2007	70,055
2008	50,000
2009	<u>50,000</u>
Total lease payments	<u><u>\$254,435</u></u>

Note 6: Capital Assets

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,812,801	\$ 853,489	\$ -	\$ 3,666,290
Construction in progress	<u>8,860</u>	<u>-</u>	<u>(8,860)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>2,821,661</u>	<u>853,489</u>	<u>(8,860)</u>	<u>3,666,290</u>
Capital assets, being depreciated:				
Buildings	1,225,699	-	-	1,225,699
Improvements other than buildings	4,292,316	-	-	4,292,316
Machinery and equipment	<u>6,652,406</u>	<u>389,408</u>	<u>(292,354)</u>	<u>6,749,460</u>
Total capital assets being depreciated	<u>12,170,421</u>	<u>389,408</u>	<u>(292,354)</u>	<u>12,267,475</u>
Less accumulated depreciation for:				
Buildings	(484,810)	(55,650)	-	(540,460)
Improvements other than buildings	(2,012,309)	(476,167)	-	(2,488,476)
Machinery and equipment	<u>(4,112,179)</u>	<u>(787,121)</u>	<u>151,452</u>	<u>(4,747,848)</u>
Total accumulated depreciation	<u>(6,609,298)</u>	<u>(1,318,938)</u>	<u>151,452</u>	<u>(7,776,784)</u>
Total capital assets, being depreciated, net	<u>5,561,123</u>	<u>(929,530)</u>	<u>(140,902)</u>	<u>4,490,691</u>
Total capital assets, net	<u><u>\$ 8,382,784</u></u>	<u><u>\$ (76,041)</u></u>	<u><u>\$ (149,762)</u></u>	<u><u>\$ 8,156,981</u></u>

Note 7: Iowa Public Employees Retirement System

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Agency is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Agency's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$84,755, \$92,576, and \$85,084 respectively, equal to the required contributions for each year.

Cedar Rapids / Linn County Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
NOTES TO FINANCIAL STATEMENTS

Note 8: Related Party Transactions

Accounts receivable at June 30, 2005 includes \$99,649 and \$1,122 due from the City of Cedar Rapids, Iowa and Linn County, respectively. Vouchers payable at June 30, 2005 includes \$70,406 and \$5,992 due to the City of Cedar Rapids, Iowa and Linn County, respectively.

Note 9: Risk Management

The Agency is exposed to various risk of loss related to tort, theft, damage, or destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10: New Pronouncements

The Agency implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*. This Statement established and modified disclosure requirements related to investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, this Statement required certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. This Statement also established and modified disclosure requirements for deposit risks.

The Governmental Accounting Standards Board has issued the following statements:

Governmental Accounting Standards Board Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, issued November 2003, will be effective for the Agency beginning with its year ending June 30, 2006. This Statement requires governments to report the effects of capital asset impairment in their financial statements when it occurs and requires all governments to account for insurance recoveries in the same manner.

Governmental Accounting Standards Board Statement No. 43, *Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004, will be effective for the Agency beginning with its year ending June 30, 2007. This statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supersedes existing guidance. The provisions of this Statement will be effective in phases using the same criteria applied in the implementation of the new governmental reporting model.

Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004 will be effective for the Agency beginning with its year ending June 30, 2008. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and if applicable, required supplementary information in the financial reports.

GASB Statement No. 46, *Net Assets Restricted By Enabling Legislation*, issued December 2004 will be effective for the Agency beginning with its year ending June 30, 2006. This Statement establishes and modifies requirements related to restrictions of net assets resulting from enabling legislation.

GASB Statement No. 47, *Accounting for Termination Benefits*, issued June 2005, will be effective for the Agency beginning with its year ending June 30, 2006. This Statement establishes accounting standards for termination benefits. In financial statements prepared on the accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (early retirement incentives) when the offer is accepted and the amount can be estimated. A liability for involuntary termination benefits (severance benefits) should be recognized when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees, and the amount can be estimated. In financial statements prepared

The Agency has not yet determined the effect these statements will have on their financial statements.

Cedar Rapids / Linn County Solid Waste Agency
A Component Unit of the City of Cedar Rapids, Iowa
Required Supplementary Information
Budgetary Reporting
Year ended June 30, 2005

The Agency prepares and adopts an annual program budget, as prescribed by the Code of Iowa, for its expenditures.

The Agency budget may be amended for any of the following purposes:

- a. To permit the appropriation and expenditure of unexpended unencumbered cash balances on hand at the end of the preceding fiscal year.
- b. To permit the appropriation expenditure of amounts anticipated to be available from sources other than taxation.
- c. To permit transfers between funds as prescribed by state law.
- d. To permit transfers between programs.

The budget amendment must be prepared and adopted in the same manner as the original budget. Management has no authority to amend the budget other than as directed by the Agency's Board of Directors; furthermore it is the Agency's Board of Directors policy that only state required budget amendments will be adopted. The Agency budget was amended as prescribed.

The Agency budgetary basis for actual expenditures include capital expenditures. The following table presented on a budgetary basis demonstrates the statutory compliance with the annual fiscal year 2005 budget:

Original Certified Budget	Budget Amendment	Final Certified Budget	Budgetary Basis Actual Expenditures
\$ 7,693,300	\$ 671,514	\$ 8,364,814	<u>\$ 8,672,924</u>
Budgetary Basis Actual Expenditures			\$ 8,672,924
Less: Capital Budgeted Expenditures			<u>(1,281,047)</u>
Total operating expenses			<u><u>\$ 7,391,877</u></u>

The notes to the required supplementary information are an integral part of this statement.